

2015 Shareholder Proposal to Kraft Foods Report on Packaging Recyclability

Executive Summary

- Non-recyclable packaging exacerbates already difficult efforts to recycle more post-consumer packaging. Only 13% of plastic packaging is recycled in the U.S.
- Kraft Foods' Capri Sun drink is packaged in a plastic/aluminum laminate pouch, a prime example of wasteful non-recyclable packaging that could be switched to a recyclable container. **Honest Kids**, a direct Capri Sun competitor, is switching from pouches to paper cartons because of concerns about environmental impact.
- Companies must acknowledge their packaging is creating huge problems post-consumer and downstream. Plastic packaging is a prime component of ocean gyre pollution, which U.S. EPA says contributes to threats to marine animals and potentially to human health. This has led governments to ban some forms of plastic packaging.
- Kraft Foods lags corporate peers in assessing the environmental and reputational risks of continuing to use non-recyclable brand packaging and develop plans to phase it out when possible. In the past year, **Colgate-Palmolive** and **Procter & Gamble** both made public commitments to increase use of recyclable packaging.
- ***There is no evidence the company has a policy on reducing the environmental impacts of its packaging. It does not provide information on plans or goals to phase out non-recyclable packaging, or how to respond to the increasing presence of its products in ocean gyres.***

Resolution Summary

The proposal asks the company to issue a report assessing the environmental impacts of continuing to use non-recyclable brand packaging. The supporting statement requests that the report include assessment of reputational, financial and operational risks associated with continuing to use non-recyclable brand packaging and goals and a timeline to phase out non-recyclable packaging.

Why This Is Important

There are two compelling reasons why shareholders should support this proposal: (1) the enormous waste and inefficiency represented by non-recyclable packaging suggests management inattention to design for sustainability, and (2) lack of recognition by management of growing scientific data linking plastic packaging to threats to marine animals and potentially to human health.

Americans throw away more materials than any other country – 4 pounds per person per day. Paper and packaging materials comprise the largest category of municipal solid waste at about

44%¹. Barely half of these materials are recovered for recycling, but recovery rates for the fastest growing packaging materials—plastics—are especially low at just 13%². As the U.S. struggles to recycle more packaging, the effort is compounded by companies like Kraft Foods that are unnecessarily placing non-recyclable packaging onto the market when readily available recyclable alternatives exist.

Capri Sun

Kraft Foods' leading brand Capri-Sun has been sold for more than 30 years in the U.S. market and is packaged in a laminate and foil pouch that cannot be recycled into new pouches and is rarely collected for recovery. The company does not disclose unit-based sales but we estimate that 1.6 billion juice pouches are sold annual in the U.S. and that 98% of these are landfilled³.

Likely thousands of tons of aluminum that could be recovered in a non-hybrid product like an aluminum can lie buried as discarded Capri Sun pouches in landfills. *If all Capri Sun pouches discarded annually in the U.S. were laid end to end, they would circle the earth nearly five times; they would also entirely cover both the land area of both California and Texas.*

Capri-Sun could easily be dispensed in recyclable PET plastic or glass bottles, or aluminum cans as are Minute Maid, Juicy Juice, Tropicana and other juice drink brands. These materials are routinely accepted in most curbside recycling systems. HonestTea, a Coca-Cola brand which markets a children's juice product in direct competition with Capri Sun, recently announced it has begun to shift away from pouches to more recyclable aseptic cartons.⁴ Using non-recyclable packaging when recyclable alternatives are available wastes enormous amounts of valuable resources.

Designed to be Waste

Many companies use life cycle assessment (LCA) to guide them on packaging sustainability but have mostly focused on product light weighting, materials use reduction and eliminating manufacturing waste. In many cases, these goals were easy to achieve because using lighter and fewer materials saved money. But these efforts have failed to adequately factor post-consumer impacts that represent lost revenue from billions of dollars of wasted commodities and potential risk from ocean pollution from degraded plastics.

Designing packaging for sustainability should provide for materials to be recycled whenever possible. William McDonough, a leading sustainability architect and green design advisor calls pouch packaging a "monstrous hybrid" designed to end up in either a landfill or incinerator. "It's so immensely curious how stupid modern packaging is, and it's getting worse... I see packaging awards being given to these pouches as more efficient containers of, say, a cereal...it's wrapped in seven plastics with undefined inks and metallized polymers. It doesn't

¹ *Unfinished Business: The Case for Extended Producer Responsibility for Post-Consumer Packaging, As You Sow, 2012*, <http://www.asyousow.org/sustainability/epreport.shtml>

² US EPA 2012 Municipal Solid Waste Report, http://www.epa.gov/waste/nonhaz/municipal/pubs/2012_msw_fs.pdf

³ An estimated 225 million pouches of various brands have been collected for recovery via a Terracycle mail-back program over the last five years. It is unknown how many pouches were Capri Sun brands; even if they were all Kraft products, the collection figure is less than 2% of annual sales.

⁴ *Waste and Opportunity 2015: Environmental Progress and Challenges in Food, Beverage, and Consumer Goods Packaging*, As You Sow, http://www.asyousow.org/ays_report/waste-and-opportunity-2015/

have a recycling symbol on it because you could never recycle it...And yet it's being put forward as a more efficient package.⁵ “

The nation’s largest waste hauler, Waste Management Inc., says reliance on LCA “often leads to decisions made at the expense of recyclability. Great designs that are sustainable on many fronts are beginning to push low value and the materials are hard to capture into the recycling marketplace,” said Tom Carpenter, Director of Waste Management Sustainability Services. “On the back end, you are left with bales of unwanted materials or mixed residues destined for landfill. As the value of materials continue to degrade and hybrid products [i.e. pouches] increase, it is becoming harder to justify new technologies to effectively capture the ever evolving packages.”⁶

Even packaging manufacturers are conceding they have focused too much on reducing carbon footprint and failed to take a sufficiently broad view including end of life fate and impact. John Baumann, CEO of Ampac, a major supplier of flexible packaging, said the industry needs to move from a narrow view of sustainable packaging based primarily on carbon footprint to a more holistic view looking at all inputs and outputs, including recyclability⁷.

From a market perspective, both company management and shareholders should be concerned that billions of dollars of valuable materials are being wasted. One assessment concluded \$12 billion in lost energy value from wasted packaging (see chart below).

Energy Consequences of Wasted Materials

Material	Annual Lbs./ Household	Barrels Saved/ Ton	Barrels Lost/ Year	Energy Value Lost (@ \$75/bbl. in billion \$)	Value/ Household
Fiber	1,821.6	1.7	85,425,000	\$6.407	\$116.14
Aluminum Cans	27.0	40.00	28,936,875	\$2.170	40.47
PET Bottles	39.0	16.30	28,115,870	\$2.108	\$23.87
HDPE Bottles	30.1	16.30	28,454,870	\$1.534	\$18.41
Glass Bottles	883.4	0.12	4,543,855	\$0.341	\$3.98
Steel Cans	19.2	1.80	1,141,756	\$0.085	\$1.30
Total	2,820.4	1.93	168,618,226	\$12.645	\$204.16

Source: Resource Recycling⁸

⁵ <http://www.greenbiz.com/blog/2013/11/14/mcdonough-conversations-joy-and-cereal-boxes>

⁶ <http://www.sustainability-in-packaging.com/waste-management-tom-carpenter.aspx>

⁷ Sustainability in Packaging conference, Orlando, FL, March 6, 2014

⁸ “State of Recycling: What We Know,” Jerry Powell, Editor, Resource Recycling.

http://www.kab.org/site/DocServer/Jerry_Powell_Presentation.pdf?docID=6441&AddInterest=1001

The Ocean Pollution Threat

A second compelling reason to support the proposal is management's failure to recognize or deal with growing evidence that plastic packaging contributes significantly to pollution of the world's oceans which clogs waterways, damages marine ecosystems, and impairs the marine food web. Management needs to acknowledge that its packaging is creating significant global pollution problems downstream.

Huge gyres of swirling plastic particles have been identified in five ocean areas (North and South Pacific, North and South Atlantic, Indian). The U.S. Environmental Protection Agency says degraded plastics in these ocean gyres pose threats to marine animals and potentially to human health.⁹ Food and beverage containers are among the top 5 items found on beaches and coastlines.¹⁰ Non-recyclable packaging like Capri Sun is more likely to be littered than recyclable packaging.¹¹ As these materials slowly degrade in the ocean, they break down into small indigestible particles that birds and marine mammals mistake for food. Ingestion of plastics results in a range of threats to marine species, including starvation, malnutrition, intestinal blockage and intake of toxins, which can lead to mortality.

Recent research indicates these particles absorb potent toxics such as polychlorinated biphenyls and dioxins from water or sediment and transfer them into the marine food web. Studies are starting to point towards larger, long-term impacts of toxic pollutants absorbed, transported, and consumed by fish and other marine life, with potential to affect human health.

A recent assessment of marine debris by a panel of the Global Environment Facility concluded that an underlying cause of debris entering oceans is unsustainable production and consumption patterns including **"design and marketing of products internationally without appropriate regard to their environmental fate or ability to be recycled in the locations where sold...[emphasis added]**¹²

California spends nearly \$500 million annually preventing trash, much of it packaging, from polluting beaches, rivers and oceanfront. Local governments, especially those in states with coastlines, have begun to ban plastic packaging. More than 70 ordinances covering 100 jurisdictions in California have banned plastic bags¹³. 78 ordinances have been adopted bans on polystyrene foam take out packaging.¹⁴ Foam crumbles easily and is often found in the digestive tracts of marine animals.

⁹ <http://www.epa.gov/region9/marine-debris/faq.html>

¹⁰ <http://www.oceanconservancy.org/our-work/marine-debris/check-out-our-latest-trash.html>

¹¹ *Littering Behavior in America*, Keep America Beautiful,
<http://www.kab.org/site/PageServer?pagename=LitterResearch2009>

¹² Scientific and Technical Advisory Panel, *Marine Debris as a Global Environmental Problem: Introducing a solutions based framework focused on plastic*, November 2011, 3, <http://www.thegef.org/gef/sites/thegef.org/files/publication/STAP%20MarineDebris%20-%20website.pdf>.

¹³ <http://www.cleanwateraction.org/ca/rethinkdisposable/banthebag>

¹⁴ <http://www.cleanwateraction.org/ca/rethinkdisposable/phaseoutfoam>

Kraft lags peers on packaging recyclability policy

In 2012, As You Sow withdrew a proposal to **Colgate-Palmolive** after the company agreed to ensure that as much of its post-consumer packaging as possible is recyclable, and to develop and disclose goals in support of this commitment. In 2014, the company publicly [agreed](#) to make 100 percent of packaging for three of four product categories completely recyclable by 2020. It is also working toward developing a recyclable toothpaste tube or package, in order to include its fourth product category in this commitment.

Also last year, Procter & Gamble announced a [commitment](#) to make 90 percent of its packaging recyclable by 2020 following filing of a shareholder proposal on the topic by As You Sow.

Keurig Green Mountain, manufacturer of individual serve coffee pods, [agreed](#) to our request to make its pods recyclable by 2020.

Hain Celestial publishes a packaging scorecard as part of its CSR report that lists the recyclability of its major types of packaging by brand. Kraft does not publish such a scorecard.¹⁵

Unilever says its policy is to “make it easier for consumers to recycle our packaging by using materials that best fit the end-of-life treatment facilities available in their countries.” Kraft does not have such a stated policy.¹⁶

Response to company statement in opposition

Kraft’s statement in opposition does not directly address the key issues raised in the proposal that shareholders need to make an informed decision on recyclable packaging policy. There is no response to the issues raised in the proposal about inefficient use of materials and lost revenue by putting non-recyclable packaging on the market. There is no mention of awareness of or a policy to respond to growing scientific data linking plastic packaging like Capri Sun to threats to marine animals and potentially to human health.

The company repeatedly conflates weight reduction and other design factors with recyclability. The discussion of use of an Eco-Calculator to make packaging design decisions does not mention recyclability of packaging, the focus of the proposal.

The company says it achieved a weight reduction goal of 75 million pounds, but the proposal is not about packaging weight reduction, it is about packaging recyclability. Further, weight is not necessarily a deciding factor for recyclability. Glass bottles, which are much heavier than plastic, are far more widely recycled (41%) than lighter plastic packaging (13%), according to U.S. EPA.

The company cites a YES Pack system for salad dressing that uses less energy and materials to manufacture but does not say whether it is recyclable, the focus of the proposal.

The company asserts it has made “significant strides in reducing, recycling and reusing Capri Sun packaging,” but the discussion concerns the cardboard boxes that pouches are packed in, not the primary packaging—pouches—which are the focus of the proposal. It discusses a

¹⁵ http://www.hain-celestial.com/press/HCG_CSR2011_062712.pdf, p. 14

¹⁶ <http://www.unilever.com/sustainable-living/wasteandpackaging/reduce-reuse-recycle>

relationship with Terracycle and states that 225 million pouches were “recycled” in the past five years. It does not mention that this figure includes several other brands participating in the program.¹⁷ Even assuming that all 200 million pouches were Capri Sun pouches, we calculate that this total represents only about 2% of total sales of Capri Sun, which is not a credible recycling rate. More importantly, it confuses recycling with reuse. Pouches made into pencil cases and novelty skirts represents a form of reuse, but these will eventually be landfilled. Real closed loop recycling is a process in which a product like a bottle can be repeatedly remanufactured into the same product.

Most fundamentally, there is no evidence the company has a policy focused on reducing the environmental impacts of its packaging. It does not provide information on plans or goals to phase out non-recyclable packaging, or on how to respond to the increasing presence of its products in ocean gyres.

Conclusion

Shareholders and the company would benefit from the report requested by the proposal. Management has not provided information responsive to the key issues raised in the proposal:

- Policies to avoid materials waste and inefficiency represented by non-recyclable packaging, and
- A policy to respond to growing scientific data linking plastic packaging to threats to marine animals and potentially to human health.

¹⁷ <http://www.terracycle.com/en-US/brigades/drink-pouch-brigade-r.html>